

ANGOLA

Table 1 **2021**

Population, million	33.9
GDP, current US\$ billion	73.2
GDP per capita, current US\$	2158.0
International poverty rate (\$2.15) ^a	31.1
Lower middle-income poverty rate (\$3.65) ^a	52.9
Upper middle-income poverty rate (\$6.85) ^a	78.0
Gini index ^a	51.3
School enrollment, primary (% gross) ^b	113.5
Life expectancy at birth, years ^b	61.5
Total GHG emissions (mtCO2e)	129.8

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ WDI for School enrollment (2015); Life expectancy (2020).

After emerging from a five-year recession with slightly positive GDP growth in 2021, Angola has continued on its path of economic recovery into 2022. Thanks to high oil prices and the strengthening of non-oil sectors, the outlook for 2022 and the subsequent years is favorable. General elections on August 24 reconducted the incumbent administration. It faces the challenge of leveraging the currently favorable economic momentum by relieving extreme poverty while investing in a more sustainable, diversified, and inclusive growth path.

Key conditions and challenges

An oil-dependent economy, Angola's economic performance has been significantly influenced by the global oil price. The oil-led growth model has caused macroeconomic instability and resulted in high levels of poverty and inequality. Oil revenues were insufficiently (or ineffectively) reinvested, resulting in underdeveloped infrastructure and low human capital, which limited opportunities for economic diversification. Global decarbonization poses further challenges to Angola's growth model and increases the urgency of economic diversification.

Recent years have seen structural reforms undertaken to move Angola away from its resource dependency. Macroeconomic stability has been improved through a more flexible exchange rate regime, central bank autonomy, sound monetary policy, and fiscal consolidation. Laws to increase the stability of the financial sector, improve fiscal policy effectiveness, and reduce the impact of oil revenue volatility on public finances have also been introduced. In addition, the authorities have taken steps to reduce corruption – considered one of the major constraints for doing business in Angola – and improve the business climate. To combat poverty and boost human capital, investments in education and health have been complemented with the roll-out of a social protection registry and a targeted

cash transfer program (Kwenda) in 2020, for which registration reached over 800,000 households by mid-2022. Adding to Angola's challenges, the impacts of global warming are increasingly felt. Especially in the south of the country, worsening climatic conditions have led to a multi-year severe drought with 1.3 million suffering from food crisis.

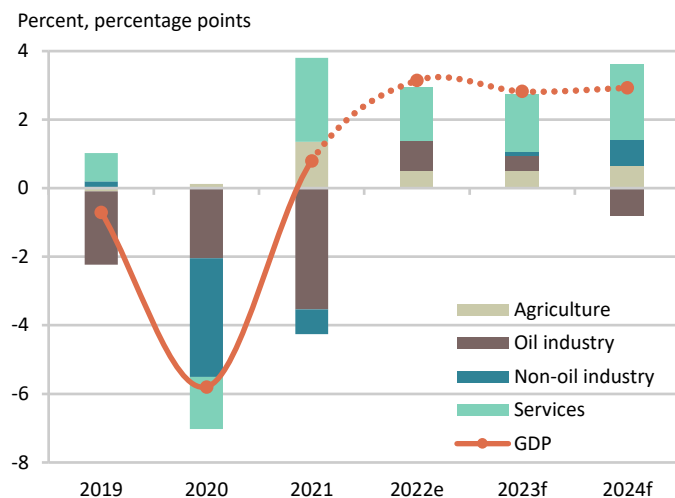
Recent developments

Notwithstanding long-term sustainability concerns, higher oil prices in 2022 are contributing to firmer economic activity. Angola exited a five-year recession in 2021, growing 0.8 percent thanks to strong performance of fisheries, agriculture, and services. In 2022 Q1, GDP growth remained solid, at 2.6 percent. Oil production increased, averaging 1.17 million barrels per day in the first half of 2022, up 7 percent from last year.

With higher production and oil prices averaging over US\$100/barrel in 2022, exports and government revenues, of which 95 and 60 percent are oil-related, have been increasing, as have net international reserves. Public debt, meanwhile, declined from over 130 percent of GDP in 2020 to 86 percent in 2021.

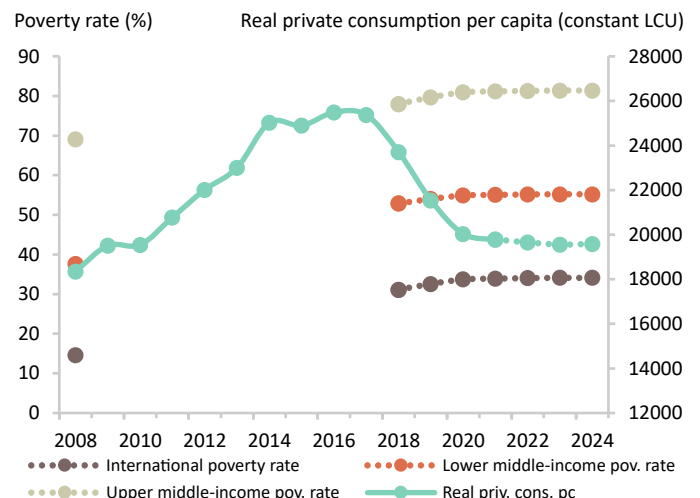
High oil prices caused a 24 percent appreciation of the Kwanza against the USD in July relative to end-2021. Despite currency strength, overall and food inflation remain high, at 23 and 26.2 percent in June, respectively. This led

FIGURE 1 Angola / Real GDP growth and contributions to real GDP growth



Sources: Angola National Institute of Statistics and World Bank MTI.

FIGURE 2 Angola / Actual and projected poverty rates and real private consumption per capita



Source: World Bank. Notes: see Table 2.

to an appreciation of the real effective exchange rate of 92.7 percent in June. With an inflation target of 18 percent for end-2022, the central bank has kept its reference rate at 20 percent but started easing other monetary instruments.

The rising cost of living especially burdens the urban poor, who rely on informality and face high unemployment. However, the urban share of the working-age population employed shows signs of recovery, with 2 percentage points y/y increase to 52 percent 2022 Q2, while the national rate registered a 1-percentage point y/y increase, reaching 63 percent.

Developments beyond oil have also been supportive. In April, Angola successfully tapped global bond markets and saw the start of operations of the mobile network operator Africell. In June, the largest private bank launched the country's first initial public offering, and Angola became a member of the Extractive Industries Transparency Initiative (EITI).

Outlook

High oil prices will strengthen Angola's economy in the near term. Real GDP is projected to grow 3.1 percent in 2022, following a slight expansion of oil production. The non-oil growth is expected to pick up, generating approximately 2.8 percent GDP growth in 2023 and 2024 despite the expected contraction of the oil sector in 2024 as reserves are slowly being exhausted. Economic growth will however continue to trail population growth, and per capita GDP is expected to further decline or, at best, stagnate, further highlighting the need to accelerate economic growth. In 2022, oil revenue windfalls will generate a fiscal surplus of 1.0 percent of GDP, projected to drive down public debt to 62 and 61 percent of GDP in 2022 and 2023. By 2024, the loss of oil revenues will cause a fiscal deficit of 0.2 percent of GDP and a slight uptick in public debt.

With stagnating per capita GDP levels, the poverty rate will remain largely unchanged at around 34 percent of the population living on less than US\$ 2.15 per day (2017 PPP) - the updated international poverty line. This highlights the need for the continued expansion of Kwenda and programs to increase productivity and employment opportunities, especially for youth and women. Moreover, if fertilizer prices remain high, agricultural production in the incoming season may significantly fall, increasing food insecurity and food prices.

On August 24, Angola held legislative and presidential elections, which reappointed the incumbent government. Politically complex reforms that require continued political commitment and ownership, such as the phasing-out of fuel subsidies, remain outstanding. Moreover, the new administration will have to manage significant economic challenges in the medium-term, aggravated by tighter financing conditions and global uncertainty caused by rising geopolitical tensions.

TABLE 2 Angola / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	-0.7	-5.8	0.8	3.1	2.8	2.9
Private Consumption	-6.2	-4.0	2.0	2.5	2.7	3.3
Government Consumption	-1.6	-7.1	4.0	9.7	3.3	5.2
Gross Fixed Capital Investment	-1.9	-1.6	17.0	5.5	5.1	6.6
Exports, Goods and Services	-5.9	-6.2	-10.7	3.3	2.2	-2.1
Imports, Goods and Services	-11.0	-21.7	7.0	10.0	7.0	6.5
Real GDP growth, at constant factor prices	-1.2	-7.0	-0.5	3.1	2.8	2.9
Agriculture	-1.3	1.8	17.3	5.6	5.4	6.9
Industry	-3.6	-10.4	-8.5	1.9	1.2	-0.1
Services	2.2	-3.9	6.2	3.8	4.0	5.2
Inflation (Consumer Price Index)	17.1	22.3	25.8	22.6	14.1	8.9
Current Account Balance (% of GDP)	6.2	2.4	10.1	15.2	14.0	10.9
Net Foreign Direct Investment Inflow (% of GDP)	-2.1	3.3	4.5	-0.5	-1.3	-1.6
Fiscal Balance (% of GDP)	0.8	-1.9	2.9	1.0	0.2	-0.2
Debt (% of GDP)	119.6	130.7	85.7	61.9	61.3	62.5
Primary Balance (% of GDP)	6.5	4.9	8.2	5.3	4.0	4.5
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	32.6	33.7	33.9	34.1	34.2	34.1
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	54.0	54.9	55.1	55.2	55.2	55.2
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	79.6	80.9	81.2	81.3	81.4	81.4
GHG emissions growth (mtCO₂e)	6.8	1.1	0.1	1.9	0.5	1.5
Energy related GHG emissions (% of total)	16.1	16.7	17.1	19.2	20.2	21.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.

a/ Calculations based on 2013-, 2019-, and 2018-IDREA. Projection using point to point elasticity at regional level with pass-through = 0.7 based on private consumption per capita in constant LCU.

b/ Actual data: 2018. Nowcast: 2019-2021. Forecasts are from 2022 to 2024.